

Interest Rate for Agricultural Lands as Required by Idaho Code 63-602K for the 2006 Assessment Year

The statutory interest rate under Idaho Code section 63-602K is 7.49% for assessment of qualifying land on the 2006 assessment roll.

In determining the speculative portion of value of agricultural land, Idaho Code section 63-602K requires the assessor to set a value “established by capitalization of economic rent or long-term average crop rental at a capitalization rate which shall be the rate of interest charged by the Spokane offices of the Farm Credit Service system averaged over the past five (5) years plus a component for the local tax rate.”

The Internal Revenue Service (IRS) publishes a revenue rule each year that shows the average annual rate for all new long-term Farm Credit Service system loans. The 2005 IRS Rule 2005-41 states a five-year average annual rate for all new long-term Farm Credit Service system loans at a rate of 7.49%.

To get the 2006 capitalization rate for agricultural lands, add the 7.49% rate to the current tax rate selected for the code area where appraisals are made.